

HOUSE No. 130

The Commonwealth of Massachusetts

PRESENTED BY:

James Arciero

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act relative to bad faith assertions of patent infringement.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>James Arciero</i>	<i>2nd Middlesex</i>	<i>1/19/2017</i>

HOUSE No. 130

By Mr. Arciero of Westford, a petition (accompanied by bill, House, No. 130) of James Arciero relative to assertions of patent infringement made in bad faith. Consumer Protection and Professional Licensure.

The Commonwealth of Massachusetts

**In the One Hundred and Ninetieth General Court
(2017-2018)**

An Act relative to bad faith assertions of patent infringement.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. The General Laws are hereby amended by inserting after chapter 93K the
2 following new chapter:-

3 CHAPTER 93L

4 BAD FAITH ASSERTIONS OF PATENT INFRINGEMENT

5 Section 1. As used in this chapter, the following words shall have the following meanings
6 unless the context clearly requires otherwise:-

7 “Assertion of patent infringement”, means (i) sending or delivering a demand letter to a
8 target; (ii) threatening a target with litigation asserting, alleging or claiming that the target has
9 engaged in patent infringement; (iii) sending or delivering a demand letter to the customers of a
10 target; or (iv) otherwise making claims or allegations, other than those made in litigation against

11 a target, that a target has engaged in patent infringement or that a target should obtain a license to
12 a patent in order to avoid litigation.

13 “Demand letter”, means a letter, e-mail, or other communication asserting, alleging or
14 claiming that the target has engaged in patent infringement or that a target should obtain a license
15 to a patent in order to avoid litigation, or any similar assertion.

16 “Person” shall include, where applicable, natural persons, corporations, trusts,
17 partnerships, incorporated or unincorporated associations, and any other legal entity.

18 “Target”, means a person residing in, conducting substantial business in, or having its
19 principal place of business in Massachusetts and with respect to whom an assertion of patent
20 infringement is made.

21 Section 2. A person shall not make, in bad faith, an assertion of patent infringement.

22 (a) In determining whether a person has made an assertion of patent infringement in bad
23 faith, a court may consider the following:

24 (1) The demand letter does not contain the following information:

25 (i) the patent number;

26 (ii) the name and address of the patent owner or owners and assignee or assignees, if any;

27 and

28 (iii) factual allegations concerning the specific areas in which the target’s products,
29 services, and technology infringe the patent or are covered by the claims in the patent.

30 (2) Prior to sending the demand letter, the person fails to conduct an analysis comparing
31 the claims in the patent to the target's products, services, and technology, or such an analysis was
32 done but does not identify specific areas in which the products, services, and technology are
33 covered by the claims in the patent.

34 (3) The demand letter lacks the information described in paragraph (1), the target requests
35 the information, and the person fails to provide the information within a reasonable period of
36 time.

37 (4) The demand letter demands payment of a license fee or response within an
38 unreasonably short period of time.

39 (5) The person offers to license the patent for an amount that is not based on a reasonable
40 estimate of the value of the license.

41 (6) (3) the patent has been held invalid or unenforceable in a final judgment or
42 administrative decision. (7) The claim or assertion of patent infringement is deceptive.

43 (8) The communication falsely states that the sender has filed a lawsuit in connection
44 with the claim;

45 (9) Any other factor the court deems relevant.

46 (b) A court may consider the following factors as evidence that a person has not made an
47 assertion of patent infringement in bad faith:

48 (1) The demand letter contains the information described in paragraph (1) of this section.

49 (2) Where the demand letter lacks the information described in paragraph (1) and the
50 target requests the information, the person provides the information within a reasonable period of
51 time.

52 (3) The person engages in a good faith effort to establish that the target has infringed the
53 patent and to negotiate an appropriate remedy.

54 (4) The person makes a substantial investment in the use of the patent or in the
55 production or sale of a product or item covered by the patent.

56 (5) The person is:

57 (i) the inventor or joint inventor of the patent or, in the case of a patent filed by and
58 awarded to an assignee of the original inventor or joint inventor, is the original assignee; or

59 (ii) an institution of higher education or a technology transfer organization owned or
60 affiliated with an institution of higher education.

61 Section 3.

62 (a) The Attorney General shall have the same authority under this chapter to make rules,
63 conduct civil investigations, bring civil actions, and enter into assurances of discontinuance as
64 provided under chapter 93A. If the Attorney General believes that a person has violated or is
65 violating this chapter, the Attorney General may bring an action on behalf of the state to enjoin
66 the person from violating this section. In addition to seeking an injunction, the Attorney General
67 may request and the court may order any other relief that may be in the public interest, including:

68 (1) the imposition of a civil penalty in an amount not to exceed \$50,000 for each
69 violation of Section 2;

70 (2) an order requiring reimbursement to this state for the reasonable value of
71 investigating and prosecuting a violation of Section 2; and

72 (3) an order requiring restitution to a victim for legal and professional expenses related to
73 the violation.

74 (c) In an action arising under subsection (a) of this section, any person who has delivered
75 or sent, or caused another to deliver or send, a demand to a target in Massachusetts has
76 purposefully availed himself or herself of the privileges of conducting business in this State and
77 shall be subject to suit in this State, whether or not the person is transacting or has transacted any
78 other business in this State. This Chapter shall be construed as a special jurisdiction statute in
79 accordance with section 3 of chapter 223A of the General Laws.

80 Section 4. This chapter shall not be construed to limit rights and remedies available to the
81 Commonwealth of Massachusetts or to any person under any other law and shall not alter or
82 restrict the Attorney General's authority under chapter 93A with regard to conduct involving
83 assertions of patent infringement. This section shall not prohibit a person who owns or has a
84 right to license or enforce a patent from notifying others of the person's ownership or right;
85 offering the patent to others for license or sale; notifying any person of the person's infringement
86 of the patent as provided by United States Code, title 35, section 287; or seeking compensation
87 for past or present infringement of the patent or for a license to the patent. This section shall not
88 be construed to apply to a person who has demonstrated good faith business practices in previous
89 efforts to enforce the patent, or a substantially similar patent, or who has successfully enforced
90 the patent, or a substantially similar patent, through litigation.

91 (b) This section shall not apply to any written or electronic communication:

92 (1) sent by any owner of a patent who has engaged in substantial research, commercial
93 development, production, manufacturing, processing, or delivery of products or materials related
94 to the patent or substantially similar patents;

95 (2) sent by any institution of higher education;

96 (3) sent by a charitable institution under section 501(c)(3) of the Internal Revenue Code,
97 and those within its control group as defined therein;

98 (4) sent by any technology transfer organization whose primary purpose is to facilitate
99 the commercialization of technology developed by an institution of higher education or
100 charitable institution under section 501(c)(3) of the Internal Revenue Code, and those within its
101 control group as defined therein; or

102 (5) relating to a demand or assertion of patent infringement that arises under United
103 States Code, title 35, section 271(e)(2); United States Code, title 21, section 355; or United
104 States Code, title 42, section 262, and any civil action including such a demand or assertion.

105 Section 5. This section does not create a private cause of action for a violation of Section
106 2.